



Statewide Business Process Policy & Procedure

Business Process Reference:

Section: Debt and Related Items
Title: GSFIC Reimbursements for Bond Funded
Construction Projects

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Background:

The Official Code of Georgia Annotated (O.C.G.A.) provides the Georgia State Financing and Investment Commission (GSFIC) with the responsibility for the issuance of all public debt of the State, including debt resulting from the sale of general obligation bonds (G.O. bonds) and guaranteed revenue bonds. In addition, the Appropriations Act includes the legislative and gubernatorial intent as reflected in the language in the “tracking document” and authorizes the issuance and purpose of bond proceeds. GSFIC is responsible for the ensuring the proper use of these bond proceeds consistent with IRS regulations and SAO policies.

The following two options are available to state organizations with capital projects which utilize general obligation bond proceeds for construction projects.

- **GSFIC Managed:** Organizations that receive approval for construction projects to be funded through GSFIC may rely on assistance from GSFIC in administration of the project. In this situation, GSFIC accepts responsibility for managing the project from the planning stages through completion of the construction. GSFIC makes payments to contractors and vendors directly. Since the beneficiary Organization does not actually receive funds nor make payments, none of the activity during the construction period should be recorded on the Organization’s accounting records. All activity during this period is recorded by GSFIC. Upon completion of the project, the appropriate assets should be recorded by the beneficiary organization in accordance with the capital assets policies. The cost of the asset recorded on the organization’s accounting records should be obtained from GSFIC.
- **Agency Managed – GSFIC Reimbursements:** Certain Organizations receiving approval for general obligation bond funded construction projects retain complete responsibility for project administration. For additional guidance, refer to SAO’s Business Process Policy – *Agency Managed General Obligation (G.O.) Bond Projects*.

Business Policy Summary:

This policy is intended to provide guidance on the types of Construction project expenditures that are eligible to be reimbursed from G.O. bonds proceeds issued by GSFIC. In general, an outlay must be capitalizable to be reimbursed from G.O. bonds. For additional guidance relating to capitalization, refer to State Accounting Office's (SAO's) Accounting Policies relating to capital assets.

Not every type of capitalizable outlay as defined in SAO's accounting policy referenced in the previous paragraph, will be approved for reimbursement. Generally, operational expenditures contained in Construction projects are not eligible to be reimbursed from G.O. bond proceeds. This policy provides guidance for these outlays which are not reimbursable from G.O. bond proceeds.

Business Process Policy and Requirements:

In general, an outlay must be capitalizable to be reimbursed from G.O. bonds, but expenditures that are already funded by the Appropriations Act, such as administrative or overhead costs, would not be reimbursable. Additionally, in all cases, the legislative intent of the scope of the Construction project should be considered when determining if the expenditures are reimbursable from G.O. bond proceeds.

Capital expenditures funded by general obligation bond proceeds

Capital expenditures are funds spent for the acquisition of a long-term asset which will be used beyond the fiscal year in which it was acquired and are permanent or of a non-depletable/disposable nature. In addition, expenditures that add to the value or useful life of a capital asset can be considered a capital expenditure. Expenditures made to design, construct, or equip a capital project are considered to be capital expenditures. Refer to SAO's Accounting Policy – *Capital Assets - General* for more comprehensive guidance.

Some examples of permanent/capital expenditures (Bond Eligible) are as follows:

- Acquisition of land
- Construction of new buildings, or renovation of existing buildings
- Major equipment that is a tangible resource of a long-term nature used in an operation or activity. Almost all major equipment needs are requested and funded through the general appropriations budget, often using the Equipment, Motor Vehicle purchases or Computer Charges/IT Expenses object classes. Fixed or loose equipment requests directly associated with new construction or renovation capital projects should be included as part of the total scope and cost of those projects. Some examples of major equipment are aircraft and specialized off-road heavy equipment.
- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
- Payments for professional services such as contracts for engineering and architectural services
- Initial landscaping
- Construction of parking lots

Certain expenditures not eligible to be funded by general obligation bond proceeds

Furthermore, there are certain expenditures that are not eligible for reimbursement from G.O. bond proceeds, as they are considered operational in nature and already funded in the Appropriations Act¹.

¹ A memo from the Attorney General to the States Auditor, dated November 20, 2000, stated that “expenses that are chargeable to general obligation bond proceeds are capital expenditures that are not customarily funded through annual budget appropriations in a general appropriations act. Personal services of Organization employees and supplies and materials ordinarily needed to operate an Organization or authority irrespective of any construction or capital improvement activity should not be charged directly or indirectly through intergovernmental agreements, against general obligation bond proceeds.”

Operational expenditures are items used in an Organization's continuing, day-to-day business, such as personal services of employees or supplies and materials needed to operate an Organization or program.

Some examples of operational expenditures (Non-Bond Eligible) are as follows:

- Depletable/disposable items: replacement light bulbs, projector bulbs, paper for copiers, file folders, sports drinks, water, masks, gloves, cleaning agents, etc.
- Moving costs (including moving boxes and tape)
- Decorating items: wall art, floor lamps, office plants, items for bookcases, etc.
- Repair and maintenance items: hammers, drills and drill bits, wrenches, step ladders, etc.
- Office supplies (including adding machines, staplers, desk organizers, etc.)
- Pallets
- GEMA supply kits
- Fuel or oil
- Annual fire inspections
- Maintenance agreements for copiers and computers
- Termite inspections
- Drug tests for employees
- Lease Payments
- Personal Expenses

Organization personnel are encouraged to consult with GSFIC personnel prior to making the purchase to determine whether an expenditure would qualify for funding from G.O. bond proceeds. This will also help to ensure proper application and documentation of use of G.O. bond proceeds occurs.

Monitoring:

GSFIC is responsible for determining if payments made for Construction projects are deemed eligible to be reimbursable from G.O. bond proceeds for projects managed by GSFIC as well as for projects managed by the Organization. The ultimate decision as to which payments are deemed reimbursable will be made by GSFIC on a case by case basis.

Authority:

- O.C.G.A. 50-5B-3 – Duties of the state accounting officer include:
 - Prescribing the manner in which disbursements shall be made by state government organizations;
 - Developing processes and systems to improve accountability and enhance efficiency for disbursement of funds and management of accounts payable.
- O.C.G.A. 50-5B-4 – Duties of the state agencies with respect to SAO.
- O.C.G.A. 50-17-22 – State Financing and Investment Commission
- GASB Codification of Governmental Accounting and Financial Reporting Standards (Codification), Section 1300.106 (Fund Accounting).
- GASB Codification, Section 1400.138 (Reporting Capital Assets),
- NCGA Statement No. 1, Governmental Accounting and Financial Reporting Principles
- GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*
- SAO's Accounting Policy – *Capital Assets - General*
- SAO's Business Process Policy – *Agency Managed General Obligation (G.O.) Bond Projects*

- Department of Law Memorandum November 20, 2000 – Use of General Obligation Bonds to Pay Certain Construction Costs

Applicability:

This business process applies to all Organizations included in the State of Georgia reporting entity. The term 'organization of state government' shall mean, without limitation, any agency, authority, department, institution, board, bureau, commission, committee, office, or instrumentality of the State of Georgia. Such term shall not include any entity of local government, including, but not limited to, a county, municipality, consolidated government, board of education, or local authority, or an instrumentality of any such entity. At these reporting organizations, all personnel with accounting and financial reporting responsibilities should be knowledgeable of this policy.